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FREE TRADE *in* BANKING.

By COLONEL W. H. SYKES, M.P., F.R.S., &c.

[Read before Section F, British Association, at Nottingham, August, 1866.]

I.—*America.*

W. WELLS BROWN, an escaped slave, was sent from America to Paris as a delegate at the celebrated Peace Convention of 1849. He was three years in Europe, and published an account of his travels and observations. As the book may scarcely, if at all, be known in England, it may be permitted to read an extract from it, in illustration of the facilities for banking in America, that may not be without its effect upon our free traders in money and banking in England. Mr. Brown commences with an account of a visit to the Bank of England.

“The same party with whom I visited Windsor being supplied with a card of admission to the Bank of England, I accepted an invitation to be one of the company. We entered the vast building at a little past twelve o'clock to-day. The sun threw into the large halls a brilliancy that seemed to light up the countenances of the almost countless number of clerks, who were at their desks, or serving persons at the counters. As nearly all my countrymen who visit London pay their respects to this noted institution, I shall sum up my visit to it, by saying that it surpassed my highest idea of a bank. But a stroll through this monster building of gold and silver brought to my mind an incident that occurred to me a year after my escape from slavery.

“In the autumn of 1835, having been cheated out of the previous summer's earnings, by the captain of the steamer in which I had been employed running away with the money, I was, like the rest of the men, left without any means of support during the winter, and therefore had to seek employment in the neighbouring towns. I went to the town of Monroe, in the state of Michigan, and while going through the principal streets looking for work, I passed the door of the only barber in the town, whose shop appeared to be filled with persons waiting to be shaved. As there was but one man at work, and as I had, while employed in the steamer, occasionally shaved a gentleman who could not perform that office himself, it occurred to me that I might get employment here as a journeyman barber. I therefore made immediate application for work, but the barber told me he did not need a hand. But I was not to be put off so easily, and after making several offers to work cheap, I frankly told him that if he would not employ me I would get a room near to him, and set up an opposition establishment. This threat, however, made no impression on the barber; and as I was leaving, one of the men who were waiting to be shaved said, ‘If you want a room in which to commence business, I have one on the opposite side of the street.’ This man followed me out; we went over, and I looked at the room. He strongly urged me to set up, at the same time promising to give me his influence. I took the room, purchased an old table, two chairs, got a pole with a red stripe painted around it, and the next day opened, with a sign over the door, ‘Fashionable Hair-dresser from New York, Emperor of

the West.' I need not add that my enterprise was very annoying to the 'shop over the way'—especially my sign, which happened to be the most expensive part of the concern. Of course, I had to tell all who came in that my neighbour on the opposite side did not keep clean towels, that his razors were dull, and, above all, he had never been to New York to see the fashions. Neither had I. In a few weeks I had the entire business of the town, to the great discomfiture of the other barber.

"At this time, money matters in the Western States were in a sad condition. Any person who could raise a small amount of money was permitted to establish a bank, and allowed to issue notes for four times the sum raised. This being the case, many persons borrowed money merely long enough to exhibit to the bank inspectors, and the borrowed money was returned, and the bank left without a dollar in its vaults, if, indeed, it had a vault about its premises. The result was, that banks were started all over the Western States, and the country flooded with worthless paper. These were known as the 'wild cat banks.' Silver coin being very scarce, and the banks not being allowed to issue notes for a smaller amount than one dollar, several persons put out notes from 6 to 75 cents in value; these were called 'shinplasters.' The shinplaster was in the shape of a promissory note, made payable on demand. I have often seen persons with large rolls of these bills, the whole not amounting to more than five dollars. Some weeks after I had commenced business on my 'own hook,' I was one evening very much crowded with customers; and while they were talking over the events of the day, one of them said to me, 'Emperor, you seem to be doing a thriving business. You should do as other business men, issue your shinplasters.' This, of course, as it was intended, created a laugh; but with me it was no laughing matter, for from that moment I began to think seriously of becoming a banker. I accordingly went a few days after to a printer, and he, wishing to get the job of printing, urged me to put out my notes, and showed me some specimens of engravings that he had just received from Detroit. My head being already filled with the idea of a bank, I needed but little persuasion to set the thing finally afloat. Before I left the printer the notes were partly in type, and I studying how I should keep the public from counterfeiting them. The next day my shinplasters were handed to me, the whole amount being twenty dollars, and after being duly signed were ready for circulation. At first my notes did not take well; they were too new, and viewed with a suspicious eye. But through the assistance of my customers, and a good deal of exertion on my own part, my bills were soon in circulation; and nearly all the money received in return for my notes was spent in fitting up and decorating my shop.

"Few bankers get through this world without their difficulties, and I was not to be an exception. A short time after my money had been out, a party of young men, either wishing to pull down my vanity, or to try the soundness of my bank, determined to give it 'a run.' After collecting together a number of my bills they came one at a time to demand other money for them, and I, not being aware of what was going on, was taken by surprise. One day as I was sitting at my table, strapping some new razors I had just got with the avails of my 'shinplasters,' one of the men entered and said 'Emperor, you will oblige me if you will give me some other money for these notes of yours.' I immediately cashed the notes with the most worthless of the wild cat money that I had on hand, but which was a lawful tender. The young man had scarcely left when a second appeared with a similar amount, and demanded payment. These were cashed, and soon a third came with his roll of notes. I paid these with an air of triumph, although I had but half a dollar left. I began now to think seriously what I should do, or how to act, provided another demand should be made. While I was thus engaged in thought, I saw the fourth man crossing the street with a handful of notes, evidently my 'shinplasters.' I instantaneously shut the door, and looking out of the window, said, 'I have closed business for the day; come to-morrow and I will see you.' In looking across the street I saw my rival standing in his shop door, grinning and clapping his hands at my apparent downfall. I was completely 'done Brown' for the day. However, I was not to be 'used up' in this way; so I escaped by

the back door and went in search of my friend who had first suggested to me the idea of issuing notes. I found him, told him of the difficulty I was in, and wished him to point out a way by which I might extricate myself. He laughed heartily, and then said, 'You must act as all bankers do in this part of the country.' I inquired how they did, and he said, 'When your notes are brought to you, you must redeem them, and then send them out and get other money for them; and, with the latter, you can keep cashing your own shinplasters.' This was indeed a new job to me. I immediately commenced putting in circulation the notes which I had just redeemed, and my efforts were crowned with so much success, that before I slept that night my 'shinplasters' were again in circulation, and my bank once more on a sound basis.

"As I saw the clerks shovelling out the yellow coin upon the counters of the Bank of England, and men coming in and going out with weighty bags of the precious metal in their hands, or on their shoulders, I could not but think of the great contrast between the monster institution, within whose walls I was then standing, and the wild cat banks of America."

II.—*Manchooria.*

But the ingenious devices in the Western States of America for raising money have a parallel in Manchooria, in Tartary. Mr. Meadows, the British Consul at Newchang, in a recent report to the Foreign Office, which is published in the present month of August, gives an account of the population, industry, and commerce of Manchooria, and he devotes a chapter to the currency of the province, in which bank notes make a conspicuous figure.

"The notes (says Mr. Meadows) are in their size and main features much like English bank notes. They have an ornamental border, purposely made very elaborate in order to prevent forgery. The name of the issuing house, together with the unvarying portions of the date (with blank spaces left for the exact month and day of each) are printed in large characters. Instead, however, of receiving their final validation from a manuscript signature, it is given them, in accordance with Chinese official and trading custom, by means of elaborately carved seals, with which red ink is used. These notes are not issued solely, or even in large part, by the money-changing houses, which to a certain extent take the place here of our banks. Each commercial establishment and largish retail shop can issue notes. Formerly this was done only to the extent of one-tenth of the capital which the issuing house satisfied the great guild of the port-town that it had invested in its business, and after it had entered into an engagement for mutual guaranteeing. But, for two years past, the guild appears to have given up the attempt to regulate the paper currency, and at present there are 123 houses at this town which seem to issue notes at pleasure. The notes each promise to pay on presentation a certain number of teaous.* The smallest at this port-town are for 2 teaous, the largest for 50 teaous; at other towns and cities I have seen them for 100 teaous. A teaou, which in the south of China means 1,000 of the copper alloy coins, called 'tseen,' by the Chinese, and 'cash' by foreigners, means here 1,000 Kwan-tung seaou tseen—*i.e.*, 1,000 of the small cash of Kwan-tung. Kwan-tung signifying 'east of the passes'—*i.e.*, east of the great wall and its gates, corresponds to what I have called the Newchang Consular district, as composed of the three provinces of Manchooria and the settled portion of eastern Mongolia. Each city and large town of this region has its own circulation of these seaou tseen peauou, or small cash notes; the notes of one city passing with difficulty

* About 9½d., or 50 equal to 2l.

at the next adjoining city, though on an average only thirty miles distant, and not passing at all beyond distances of forty to fifty miles. There is no coin corresponding to the name of Kwan-tung small cash; and a teaou or 1,000 of them are only equal to 160 of the general copper-alloy 'cash' of China. The latter are, in consequence, throughout this district strung on twine by means of the centre hole in sums of 160 cash, each of which sums is then called a teaou. Although the notes profess to be payable on presentation, in fact, each issuer is by custom bound to give in exchange only one-fifth in copper alloy 'cash,' the balance in notes of other issuing houses; to which the holder must then repair to repeat the process, so that when a man changes a note, say for 50 teaous, the value of which is little more than 2*l.* sterling, he has usually to visit about six or eight issuing houses in succession, some of which may be a mile distant from each other. The rate of exchange between the notes and silver bullion alters daily in each city, and is fixed by the body of money-changers, who meet every morning at daybreak to settle it. The rate during the past five years at this port town has averaged about 9 teaous for 1 tael, and has ranged from 7 80-100 teaous to 10 teaous."

III.—*China.*

The system of banking in China is given in detail in Justice Doolittle's "*Social Life of the Chinese*," recently printed in China, and, I believe, not yet available to the public of Europe. The following are extracts from the work:—

"Banking, Bank-bills, and Cash.—The native banks of Fuhchau are quite numerous, and the bank-bills in use are noted for their unique appearance, and for the difficulty of being successfully counterfeited. The banks are not under Government inspection or control. Any individual who has the capital, or a company of individuals who can furnish the necessary funds, may establish a bank and issue bills, without getting a charter or any kind of permission from the Government.

"A few years ago, the mandarins at Fuhchau issued bank-bills in behalf of the imperial Government, in consequence of the extreme scarcity of the common copper cash. The Government also issued iron cash, which at first were received as of equal value with the copper cash. But the iron coin soon was counterfeited in great quantities. It also became rusty. The Government bills, being payable in iron coin at par with copper, became very unpopular and greatly depreciated. The value of a dollar in Government bills or iron cash was at one time, in 1858, eighteen or twenty thousand cash. The Government finally bought up the iron cash and withdrew its bills from circulation, leaving the private banks to supply the paper currency as before.*

* "The invention and priority in the use of paper money by the Chinese is now generally admitted. Klapproth, Chaudoir, and others, have given details to some extent regarding the history of this currency. From native records we learn that it was first used by the imperial government in the ninth century, and was continued with intervals till near the close of the fifteenth; from which, down to recent times, no attempt has been made to revive the practice. The extensive use of promissory notes, however, in various parts of the empire, and the exhausted state of the imperial treasury, has suggested the desirability of another attempt, by this means, to relieve the state from the financial pressure, and after a cessation of four hundred years, government banks have again been opened in the large cities for the issue of a new paper currency. The success that has attended the experiment is not such as to promise a long continuance of this expedient."—See "*Coins of the Ta-Tsing, or present Dynasty of China*," by A. Wylie, Esq., laid before the Shanghai Branch of the Oriental Society, Nov. 17, 1857.

"Some of the banks are of long standing, and, as their proprietors are known to be very wealthy and sufficiently honest, their bills are in general use in the transaction of business. Their bills are of various denominations, as representing cash, dollars, or silver; and of various values, from four hundred cash, five hundred cash, six hundred cash, one thousand cash, &c., as high as several hundred thousand cash; from one dollar up to several hundred or even thousands of dollars; and from one tael of silver to hundreds or thousands of taels of silver. Experience proves that there is little comparative risk from counterfeiters. A bill is generally preferred to the cash which it represents, unless the owner wishes to make use of the value in the purchase of small articles, or for the purpose of making various payments with it. The real risk in the use of bills arises from the liability of the bank to fail suddenly.

"The outline of the bill, with various devices to make counterfeiting difficult, is engraved neatly on a solid block of brass in the case of wealthy banks; poor proprietors of banks use hard wood instead of brass. The right-hand margin is made an inch or more wider than the left-hand margin of the block of brass or wood, for a purpose which will be mentioned shortly. The value of the bill and the day of issue are filled in with the pen, and one or more words to facilitate the detection of a counterfeit. Various stamps, large or small, round, or square, or oblong, some of which are very curiously and elaborately engraved, are impressed on different parts of the bill, using red or blue ink. These add very much to the neat and pretty appearance of the note, and are believed usually to have some secret or private mark, and are very difficult to imitate with precision and exactness by counterfeiters.

"But perhaps the use which is made of the wide right-hand margin furnishes the greatest security against counterfeiting. On this margin are stamped or written various words, phrases, or sentences, before the bill is cut off or trimmed and put into circulation. When every thing is ready, these stamped or written sentences or phrases are cut through by a sharp knife, leaving the right-hand margin of the bill about the same width as the left hand, though it presents a very different appearance. Of course the edge of the right-hand margin of the bill and the edge of the paper which was cut off from it, will precisely match each other; but, as the sentences have been cut into two parts, part of the words and stamps will be on the bill and part on the slip of paper cut off. These slips are all carefully kept in a book form ready for reference, each slip containing the value, date, and private marks of the bill corresponding to it. On the presentation of a bill for payment, if there is the least doubt of its genuineness, reference is made to the corresponding proof-slip, and the banker or his clerks know immediately whether it is genuine or counterfeit. A successful imitation of the written sentences and words, the blue and red stamps, which are found on the right margin of a bank-bill, and which have been cut through on a line parallel with the left-hand margin, it is almost impossible to make so exact, precise, and minute as to fit the preserved proof-slip.

"When a new bank is opened, custom demands that the proprietors, the head directors or clerks of the principal neighbouring banks, and the principal money gobetweens who are connected with them, shall be invited to a feast at the expense of the proprietors of the new bank. Generally, after this feast, these neighbouring bankers, unless they have especial reason to distrust or be dissatisfied with the new banker, are willing to recognise the new bank, and use its bills, according to custom. The bank gobetweens also consider the new bank as now established, and do business with it on the usual terms, as with old banks in good and regular standing.

"The bills are all made payable on demand. If the holder of bills against a particular bank presents them for payment, he may be paid in cash, or the current bills of other banks, or in silver or gold, according to the current rate of exchange. It is not entirely at the option of the bill-holder what shall be the equivalent given him, but more at the option of the banker, especially in case of an emergency. As a general rule, however, the wishes of the bill-holder are complied with. Cash bills are usually paid in cash.

"It is an established custom in this place, that if a bank is not able to discharge its obligation immediately on the presentation of bills by redeeming them in some way, the holder of the bills may seize hold of any thing in the bank and take it off, to the full amount of his demands, *if he please to do so*, and there would be no liability for prosecution for theft or misdemeanor. Instances have occurred when some rascals and their accomplices have tried to find, or, rather, make occasion for rifling banks, by calling in a body and simultaneously presenting their bills with loud outcries and insulting remarks, and, by their improper conduct, have caused what seemed to be a temporary suspension of payment. Occasionally, at such times, a seeming pretext has been given through fear of actual robbery on the part of the bankers, and their assistants and clerks, for the crowd of rascals to pretend that the ready money in the bank was short, and that they were in danger of not getting their bills cashed, all which has resulted in their beginning to plunder the bank. And when an excited and interested crowd has begun such a work, it is exceedingly difficult to prevent the completion of the undertaking. There are plenty of beggars and idlers or vagabonds in the streets who are only too happy to assist in such an exciting and profitable sport as robbing a bank. Instances are not very rare when banks have been completely riddled of every portable thing worth carrying off, even to the sleepers and the rafters. Strictly speaking, according to custom, only those who have bills against the bank have any right to engage in helping themselves to the payment of their demands. In fact, however, the vast majority of those who engage in gutting a bank, under the plausible pretext of its not having money to redeem its bills, are those who have no bills against it, and who, in truth, are nothing but thieves and robbers.

"In the year 1855 there was an unusual panic among bill-holders. Several banks had just failed, that is, had been unable to redeem their bills on presentation, and had been robbed of everything in their offices by bill-holders and by the lower class of the populace, who joined them in plundering. The viceroy determined to make an example of a few, in order to avert impending anarchy and universal distrust. Early on a certain morning bills were presented for payment by many persons at a respectable bank located on the south street in the city. A large crowd assembled, and soon a robbery of the bank commenced by a multitude of persons. Several of these rioters who had no bills against the bank were arrested by the police, among whom were a poor chair coolie and a respectable neighbour of the bank, a dealer in rice. The viceroy, as soon as he heard of the circumstances, and of the arrest of these men, who manifestly had no plea but robbery for engaging in the 'gutting' of the bank, determined that they should be beheaded, without trial, at once, and in the street where the robbery was committed. His subordinate officers endeavoured to dissuade him from the sanguinary measure, fearing that the populace would rise *en masse*, and murder the mandarins, and inaugurate a revolution, should these men be thus beheaded; but the viceroy was firm, arguing that it was the best, if not the only means of preventing universal anarchy. He issued his warrant for their execution, and the wretches were immediately taken out into the public street in front of the bank and decapitated. All this occurred, and the report had spread all over the city and suburbs, before nine o'clock in the morning. The viceroy was correct in regard to the effect he said it would produce. The summary act at once quelled the disorderly rabble, and no such disposition to rob a bank contrary to custom—that is, by persons who, according to custom, had no right to embark in the pillage of a bank, because they had no bills against it—was manifested in this city or suburbs for a considerable time.

"Sometimes a rumour is spread abroad that a certain bank is in danger of breaking, or that it is being 'run'—that is, bill-holders against it have become frightened for some reason, and are presenting the bills they happen to have for payment or redemption. At such times all, whether living in the city or suburbs, who have bills against it are in haste to bring them forward in time, lest the bank should really fail or be robbed in case ready funds should be exhausted. This rush of persons who really have claims against it adds to the confusion and excitement. On these occasions the friends of the bankers rally around to

aid in keeping order, and the idlers and vagabonds assemble in the contiguous streets, ready to assist should their services be in requisition to rob and tear down. Should the bank be robbed at such a time, such a fact frees the proprietors of it from all obligation to redeem their still outstanding bills, unless they should be pleased to redeem them. It is believed that most of those who engage in banking in this part of China are honourable enough to do their utmost to redeem their bills should they honestly fail or lose so much money in the business as to determine them to close their banks. Such persons usually have two words written in large characters posted up on a conspicuous part of the premises, which intimate that they will 'hereafter pay' or redeem their bills on presentation. This notification amounts to a request that those who have their bills will present them without delay for redemption. It also implies that they are desirous of closing up their business, and that they do not at present propose to issue any more bills of their own.

"Some bankers, when they find that there is danger that they will be 'run,' if they have reason to fear the result, adopt the precaution of publishing that they will 'hereafter pay.' After this precaution no gutting or running of the bank is permitted according to custom. Sometimes, after a running of the bank has commenced, the bankers manage to send a confidant to come to an understanding with a mandarin, who immediately sends his underlings to close the doors, and post large and long strips of paper on them in one or two places, in the form of the letter X. These strips have, among other characters, the name or title of the mandarin who orders them to be pasted up. The bank is regarded as sealed up by this process, and no running is allowed. After having been officially sealed up, they proceed to settle their accounts more at their leisure than they otherwise might have been obliged to do. It is hinted that the mandarin who assists them in the manner above mentioned is always willing, for a consideration, to lend them his influence. Gutting a bank is considered disgraceful, and therefore very undesirable by respectable bankers. Not unfrequently several bankers agree to help each other with money in case they are run.

"The Chinese, probably, are not a whit behind Westerners in speculating in the value of silver. The value of sycee or dollars, in cash or bills, fluctuates sometimes largely from one day to another, and even from hour to hour of the same day. This fluctuation is said to be managed principally by speculators in money, aided by the bank gobetweens and the proprietors of the principal banks. When they have reason to believe that a large sum of money has arrived or is about to arrive, owned by traders who desire to invest in produce, they manage to have the price of silver become lower than usual. On the other hand, if they know that there is a considerable quantity of silver in the shape of sycee required by Chinamen to take away to other parts, then the value of sycee or dollars, as compared with cash, becomes at once higher than usual. Speculators in money who have capital, resident at this place, of course take advantage of these changes and fluctuations to buy bills or silver when cheap and plenty, intending to sell them when dear and scarce.

"In ancient times, some emperors coined cash in the shape of a knife and other fanciful shapes. These are now highly prized as curiosities, and are not in general circulation as coins. Coins of modern times are round, with a small square hole in the centre. Ancient coins are used oftentimes as charms or amulets against evil spirits. Some kinds are used in divination.

"In 1850 a dollar was worth in bills or cash at this place 1,400 cash. In 1854 it was worth 1,750. It is now (August, 1863) worth 1,050. The large importation of silver, or its equivalent in value, to pay for the teas purchased at this port has kept down the price of dollars, and, consequently, in most branches of native trade there is very little business, because silver brought hither by Chinamen to purchase native products exchanges for so small an amount in cash or bills, in which the price of articles is usually reckoned here, that they cannot afford to change their silver into cash, and purchase what they desire to take away. They are sure of doing a losing business. When dollars or sycee command a high price at the banks, native business is brisk. A dollar or a tael purchases then much

more of native products than when the price of a dollar or of a tael is low. The price of native commodities does not fluctuate nearly as much as does the price of silver."

To the above I may add, from the same work, some very curious statements of the ingenious methods adopted by the Chinese for raising money by means of clubs to lend *without interest*.

"Money-lending Clubs without Interest.—It often occurs that an individual desires to have a certain sum of ready money to use, but which he finds himself unable to command. Instead of borrowing the sum and paying the exorbitant interest demanded by money-lenders, and instead of trying to raise the sum among his friends as a gift or as a temporary loan, he endeavours to induce them to form one of several kinds of clubs, the immediate object of which is to furnish him with the desired amount, but the future effects of which will be to supply the same sum to each one of its members without the usual heavy interest.

"He induces a trusty friend to become second or assistant, he being its head or principal. Having prepared a number of red envelopes, each containing a small sum of money, he calls upon his relatives and friends who are able to engage in the club, and who he desires should enter it, explains to them his plans, states the amount he wishes to raise, each member's share, and all needed particulars. Those who are willing to engage in the club receive one of these envelopes as a kind of bargain money, and after that they may not withdraw without his consent, or unless he fails to secure the required number of names. These are regarded by the customs of society as bound or pledged to perform their part in the contemplated union. In case of not succeeding in obtaining the requisite number of responsible names, the undertaking falls through.

"Many friends and relatives are willing to engage in a club to aid a person when they would not contribute to give the needed sum to him, and many are willing to try and form a union professedly for their benefit, when they would not receive money as a gift, and when they would be ashamed to ask their friends to contribute money for their use.

"The Shaking Club.—This club is thus named from the frequent tossing of dice by its members. The number of members is not fixed, varying from five to twenty or more. Suppose the sum to be raised is 100,000 cash, and the number of members is ten, each man's share will be 10,000 cash. Suppose the time for the payment of the shares is quarterly, there being ten payments, it will require two years and a-half before the business of the club will be perfected.

"The business is all managed by the head man and his assistant, and the meetings of the club are held at the house of the former, or at the place he appoints. He is at the expense of a feast for the members of the club the first time they meet, it being the time when he receives the sum of 100,000 cash, including the sum which he is supposed also to pay in, though really he does not provide it, but only receives 90,000 from the other members. At this first meeting no dice are thrown, it being well understood that the sum is to be taken by the head man.

"At the next meeting each member brings his 10,000 cash, which is given to the one who, on casting the dice, gets the highest number of spots, the head man and his assistant not engaging in the casting of dice, the latter, according to the rules generally adopted, taking his 100,000 cash at the third meeting of the club without any appeal to the dice.

"At the fourth and every subsequent meeting those who have not drawn the sum throw the dice according to the rules of the club, to decide who shall take the 100,000 cash. All who have previously drawn the sum, excepting the head man and his assistant, at any meeting of the club, are expected to contribute a small sum for the incidental expenses, as paper and refreshments.

"If anything is left unexpended at the close of the tenth meeting, it is consi-

dered as belonging to the man who has waited until this time, when he receives his 100,000 cash.

"In this manner, provided each man fulfils his pledges, each man will have paid into the club 100,000 cash, and each have received back the same amount. While his payments will have been small and at intervals, the sum received back will have been at one time.

"The principal drawback against this method of raising money is the great uncertainty of every man's fulfilling his part according to the bye-laws of the club. These are fixed upon by the head man as regards times of payment, number of members, and amount of each instalment, at the time he gets it up. Sickness, misfortune, or death may prevent the payments of some of the members at the stipulated time. Such cases cause much trouble to the head man and others who have received their allotted money, who are held responsible by the other members. When the club breaks down in consequence of the inability of some members to pay in the sums agreed upon, those who have received money must return in small sums, and at intervals, if they cannot pay at once, the amount received *over and above* the sum they have paid into the club. In case of positive dishonesty on the part of one of its members, the head man is considered bound to make up the sum he ought to have paid. Each man, on receiving the sum paid in at one meeting, must give a document with the names of two men as his security, one a member of the club and one not a member, pledging himself to the proper fulfilment of his responsibilities in the case. Probably few cases of downright dishonesty occur in connection with these clubs, because the members are generally mutual and firm friends of each other, and especially of the head man.

"Sometimes a club is got up among friends for comparatively very small sums, as in shares of two, four, or six dollars. Poor men who cannot raise the sum desired at once, but who can save enough to make a payment every quarter or oftener, sometimes engage in such clubs. In all cases, whether for large or small sums, whether the number of members be few or many, or whether the intervals between payments be monthly or quarterly, the same principle is kept in view, the obtaining of a round sum of money for use without the payment of interest, to be refunded in instalments at intervals.

"*The Snake-casting-its-skin Club.*—This union or club is so called from the circumstance that the head man, the one for whose benefit the money is subscribed, pays it back to the members by regular instalments as may be agreed on when formed, just, as it is said, *the snake sheds or casts its skin gradually, or at regulated intervals.* There is no need of an assistant in the working of this club. The members subscribe and pay money but once. There is no division of this money among them; the head man takes it all for his own use when it is paid in, which is done at its first and only meeting. At this time he prepares a feast for its members. The money he then receives he agrees to refund to the subscribers of it at regular intervals, by uniform instalments, in the order decided on by the drawing of lots, or by the throwing of dice, at the time of its being paid in. Each member must wait until his turn arrives for receiving back the money he subscribed.

"*The Dragon-headed Club.*—This club is named '*dragon-headed*' because the first payments made by its members are much larger than subsequent payments, resembling, it is said, *the Chinese dragon*, in the circumstance that *its head is much larger than its body.* The number of shares, times of payment, &c., are arranged by the head man at the time he solicits the names of his friends as members.

"Suppose the number of members is twenty, including the head man, and the first payment is 10,000 cash on the part of all but the head man, who advances nothing, but receives all that is paid in, the amount is 190,000 cash. In case the meetings are held quarterly, every three months after the first meeting the head man pays into the club 10,000 cash, and each one of the other members pays in 1,000 cash, making in all 29,000 cash. It is decided by the throwing of dice to whom this shall be paid. In this manner in five years from the commencement the head man

will have paid into the club 190,000 cash, the amount he received at its first meeting, and each of the other members will have paid in 29,000 cash, and have received back the same amount. The proportion between the first and succeeding payments agreed upon by the parties concerned, of course, will be the rule of any club."

I could indulge in reflections to some extent upon these statements, but I prefer commending them to the careful consideration of those who are advocates for free trade in banking.

